Ministry of Education
Financial Analysis and
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MEMORANDUM TO: Superintendents of Business and Finance

FROM: Andrew Davis
Director
Financial Analysis and Accountability Branch

DATE: March 30, 2010

SUBJECT: School Board Financial Powers

I am pleased to provide you with an update on school board financial powers. Two new regulations affecting school board financial powers have been made by the Lieutenant Governor in Council and are now in effect. Together, the regulations revoke five regulations pertaining to financial powers and consolidate certain provisions into a single regulation.

The following regulations made under the *Education Act* are revoked:

- O. Reg 466/97 (Borrowing for Permanent Improvements - Debentures);
- O. Reg 471/97 (Eligible Investments);
- O. Reg 472/98 (Debt and Financial Obligation Limits);
- O. Reg 222/02 (Risk Management by Boards in respect of Energy Prices); and
- O. Reg 225/02 (Non-Permanently Financed Debt of District School Boards).

With the exception of *Debt and Financial Obligation Limits*, which no longer applies, the provisions from these regulations are now found in the consolidated regulation entitled *Board Borrowing, Investing and Other Financial Matters*. Certain changes have been made to the borrowing, investing and risk management powers of school boards. Some significant changes to note include:

I. *Permanent Improvement Borrowing Powers*

- Following Bill 177, school boards no longer have the ability to issue a debenture in order to finance permanent improvements. Consistent with Bill 177, obsolete debenture provisions have been removed from the regulation.
- All financing for permanent improvements will now be obtained through the Ontario Financing Authority (OFA) unless a school board can demonstrate it can obtain a loan with a better interest rate from another regulated financial institution or a municipality.

II. Eligible Investment Criteria

- School boards continue to have the opportunity to invest surplus funds and sinking funds in relatively safe securities such as government debt, bank debt and bankers acceptances.
- Riskier investments, such as commercial paper or asset-backed securities, are no longer eligible.
- School boards who own investments that are no longer prescribed by the regulation have 90 days after the day the regulation came into force, being May 26, 2010, to sell ineligible securities unless the school board can demonstrate a sale of the securities at such time would result in a loss.
- However, for school boards who own ineligible securities, the treasurer's annual report to the board must include a list of these investments as well as a plan for disposal.

III. Risk Management Transactions

- School boards may still enter into a commodity price hedging agreement to manage the risk associated with fluctuating energy prices though the type of agreement is restricted to only an agreement that fixes, directly or indirectly, the price of energy.
- School boards who are party to a commodity price hedging agreement must follow the reporting requirements outlined in the regulation.

The regulation can be accessed at www.elaws.gov.on.ca. If you have any questions feel free to contact Jackie Tabar at 416-325-2052 or jackie.tabar@ontario.ca.

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cc: Directors of Education